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SUBJECT: FM LAVROV UNDERSCORES ECONOMIC COOPERATION AND "NO MORE BACKYARDS" IN LATIN AMERICA

Classified By: Political Officer Bob Patterson for reasons 1.4 (b/d)

11. (C) Summary. The MFA told us that Lavrov's September 11-13 trip to Peru, Uruguay, and Paraguay focused on strengthening economic development of the region and projecting solidarity with countries instituting their own models of political and economic development. Lavrov stressed in his public remarks that there should be "no more backyards." The MFA noted that "unlike the U.S.," Russia received a formal invitation to attend the MERCOSUR summit in Uruguay in December. With few deliverables, Lavrov concentrated on preparing a framework for future economic cooperation in the countries these countries and the region. End Summary.

12. (C) FM Lavrov's September 11-13 trip to Peru, Uruguay, and Paraguay was Russia's first high-level visit to any of these countries since the fall of the Soviet Union. He used the trip as an opportunity to increase bilateral cooperation, lobby for more investment and trade, and to soapbox familiar policy viewpoints on Kosovo, the UN, and the OSCE. MFA Latin America Regional Affairs Section Head Igor Romanchenko accompanied Lavrov and told us in a September 19 meeting that the trip was official in nature, and not a working visit. The MFA considered the trip "successful and fruitful", noting that the GOR had achieved its goal of initiating high-level contact with "second-tier" countries and laying the foundation for further economic development.

Peru

13. (C) Romanchenko said Lavrov's September 11 visit to Peru followed on the heels of Putin's meeting with President Alan Garcia Perez at the APEC summit in Australia, and highlighted Russia's renewed economic interest in a country where trade has "lagged" compared with the rest of the region. Peruvian political counselor Oscar Paredes Loza told us separately that with bilateral trade turnover at only 100 million dollars in 2006, both sides took "concrete steps" to improve trade. For example, Russia is opening a commercial section at their embassy in Peru, and Peruvian vice-president Luis Giampietri Rojas will focus his upcoming visit to Moscow on trade and investment. Although Peru traditionally used Russian weapons, Loza told us that arms trade with Russia was focused only on repairing existing weapons, not procuring new ones.

14. (C) Loza added that as a member of the UN Security Council through the end of 2007, Peru is currently trying to "balance" its position on Kosovo between Russia and the United States. While Peru would like to use its time on the UNSC to improve relations with Russia, Loza told us they would side with the U.S. on many contentious issues for "economically pragmatic reasons." Both Russia and Peru see APEC--Peru will host the 2008 summit--as the best multilateral forum for improving bilateral relations.

15. (C) Lavrov's September 11-13 visit to Uruguay highlighted the countries' 150th anniversary of diplomatic relations with the first ministerial visit since the fall of the Soviet Union. Romanchenko noted that trade was again the main focus of Lavrov's meeting with President Tabare Vazquez, including discussion of Russian investment in Venezuelan President Chavez's proposed Southern Cone Gas Ring, other "more realistic" regional pipeline projects, the electricity sector, and commercial fishing. Lavrov also welcomed Uruguay's treatment of its 10,000 plus community of Russian immigrants, highlighting the GOR's continuing priority of preserving Russian-speaking cultural enclaves abroad.

16. (C) In his visit to Asuncion on September 13, Lavrov marked the 15th anniversary of the resumption of relations and discussed the opening of a Russian embassy there by the end of this year. Romanchenko said Lavrov explored investment opportunities in oil and gas, electricity, and infrastructure.

Russia Seeks to Expand Influence in Latin America

17. (C) Romanchenko told us that Russia already enjoys "well-established relationships" with regional powers Brazil, Venezuela, and Mexico. (Note: Russian trade with all three countries totaled \$4.25 billion in 2006, excluding arms sales. End Note.) Senior GOR officials, including Putin, regularly travel to the region to meet with the more prominent leaders, but Lavrov's trip signaled Russia's intention to strengthen ties with less developed countries.

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Russia aims to deepen economic cooperation with these and other countries in the region. However, Romanchenko admitted that the GOR has yet to convince a significant number of Russian businesses to pay more attention to Latin American markets.

18. (C) Romanchenko also underscored Russia's strong support of the developing "political trends" in Latin America. He said Russia's calls for a multipolar world "dovetail perfectly" with Latin American countries' interest in "diversifying" their external relations. He argued that Latin America is "correctly" cultivating its own development model and is moving towards greater integration in various regional organizations. Romanchenko referred to Lavrov's September 12 speech in Uruguay that emphasized Russia's active support of a "diversity of forms" of democracy and market economy and the "real emancipation of sovereign states" from the shackles of "backyards" or "spheres of influence." (Note: Lavrov ironically noted that a "similar" process was unfolding in the CIS. End Note.)

19. (C) Director of the Latin America Institute Vladimir Davidov shared with us his assessment that the GOR is expanding its ties with Latin America mainly to demonstrate its ability to project power worldwide. Davidov contends that although Russia's economic interest in Latin America is primarily a pretext for its increased activities, the GOR does not disparage the chance to create new investment opportunities and markets for Russian companies. Leaders in these countries have signaled a political openness to strengthen relations with Russia, making this an opportune time for Russia to intensify contact.

MERCOSUR

110. (C) Romanchenko noted that, "unlike the U.S.," Russia received an invitation to attend the December MERCOSUR meeting in Uruguay, its second invitation in three years. He added that Russia is interested in establishing a "memorandum

of political dialogue" to formalize Russian relations with the group, pointing out that Russia will hold a meeting of MERCOSUR political directors in Moscow prior to the December meeting. Both sides are also interested in an economic agreement that would elevate trade and investment, but Davidov cautioned that this still needed more work. Davidov commented that the idea of a free trade agreement between Russia and MERCOSUR was not realistic in the short term.

Comment

¶11. (C) Lavrov's recent trip to Latin America indicates a genuine interest in new, if small and distant, economic markets for Russian investors. However, Latin America will not be a major foreign policy focus for Russia anytime soon. For now, Russia seems content to expand gradually economic ties and, not exerting too much effort, lend moral and political support to anti-Western tendencies in the region.
Russell